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RUEHBS/USEU BRUSSELS
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RUEHNO/USMISSION USNATO 1680
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C O N F I D E N T I A L TASHKENT 002122

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TAGS: [PREL](#) [PGOV](#) [KCRM](#) [ECON](#) [UZ](#)
SUBJECT: RUSSIA MAY NOT HELP UZBEKS ON MONEY LAUNDERING
REGRESSION

REF: TASHKENT 1922

Classified By: Poloff Tim Buckley for reasons 1.4 (B) and (D)

11. (C) Summary: The World Bank and UNODC, with INL funding support, co-sponsored an anti-money laundering (AML) training session in Tashkent on November 29. A USG official from the Department of Treasury Financial Crimes Enforcement Network (FinCen) was the main presenter to an engaged audience of GOU officials. The Treasury official informed Charge in a courtesy call that the GOU's stated reasons for suspending the key provisions of its anti-money laundering law are not valid. He also noted that Russia, which has worked hard in recent years to establish an exemplary anti-money laundering record, may not help Uzbekistan avoid international scrutiny and AML sanctions related to this issue. The prospect of greater isolation as an international financial pariah may spur the GOU into rethinking its policies, but only once the threat of targeted and effective international action seems more imminent. End summary.

AML Training Session

12. (C) On November 29 the World Bank and UNODC co-sponsored the latest in a series of regional anti-money laundering training sessions. The event in Tashkent included GOU officials from the Office of the State Prosecutor, the National Security Service (NSS), representatives of the Ministries of Internal Affairs, Justice, and Finance, the State Customs Committee, a Supreme Court judge, and officials from the Central Bank. World Bank officials working on the project reported that this session included "the highest level of engagement we've seen thus far" from the Uzbeks.

During the Treasury official's four-hour long presentation (delivered in the Russian language), members of the Uzbek Financial Intelligence Unit (FIU), under the Office of the State Prosecutor, asked many sophisticated professional questions.

A Flimsy Excuse

13. (C) As reported in reftel, in April 2007 Uzbekistan suspended the key provisions of its anti-money laundering law which had gone into force the previous year. In a November 14 meeting with poloff, Head of the FIU's International Relations Section Caidabror Gulyamov explained that under the money laundering law the government was receiving too many suspicious transaction reports, which inefficiently wasted the FIU's resources and burdened banks with "unnecessary" reporting requirements. However, the visiting Treasury official noted that this "is a lot of hot air", and even countries with a much larger volume of transactions have managed to successfully filter and balance the amount of suspicious transactions sent to the FIU for analysis. Another excuse offered by the GOU about suspending the money laundering law was to promote consumer confidence in the banks; however the Treasury official noted that an effective anti-money laundering law is not viewed as a deterrent to depositors.

Consequences?

14. (C) In addition to the threat of sanctions by the Financial Action Task Force (reftel), the Treasury official

noted that FinCen could issue an advisory to the world financial sector stating that Uzbekistan is a country of prime concern for money laundering due to inadequate regulations. This would mean greater scrutiny for transactions involving Uzbekistan's financial institutions and would likely scare potential investors from doing business with or through Uzbekistan.

Russia May Not Shield Uzbeks

15. (C) The visiting Treasury official noted that Russia, which was previously included on FinCen's lists of non-compliant countries and territories as recently as 2002, has substantially improved its anti-money laundering record and is now highly regarded in the international community. The treasury official learned during his visit that a Russian member of the Eurasian Group (EAG), which recently conducted a needs assessment in Uzbekistan, passed a warning to GOU officials that Russia may not be able to -- or want to -- help deflect international criticism on this issue. This is consistent with the impressions of a different Treasury official who participated in the EAG needs assessment trip (reftel).

Comment

16. (C) While the GOU previously seemed indifferent to the risk of anti-money laundering sanctions from the UN or the FATF, it may change its tune as the threat of such sanctions looms larger in 2008, when the EAG will conduct an official assessment of Uzbekistan. The GOU is sensitive about the symbolic impact of sanctions but is even more focused on their actual impact and will not want to face systemic international financial isolation, which would be especially sharp if Russia joins western countries in pressuring for AML reform. (Note: In contrast, the Andijan-related sanctions currently being discussed in Congress would have very little actual impact on the human rights objectives they are intended to advance. End note.) The active interest shown by GOU professionals in the AML training session is encouraging, and we believe continued international attention is desirable.

